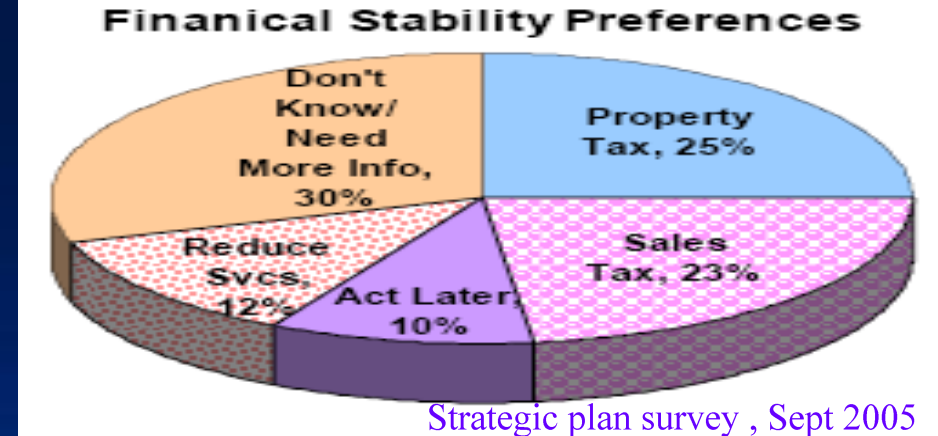# Financing The Future

As construction revenue decreases significantly and State shared revenues fall as our population stabilizes while other cities continue to grow, how do we replace this revenue to ensure government financial stability?

Over the next 20 years the Town will need a little over a million dollars more a year to ensure Financial Stability. Less than $86 a year per household.

Presenter: Tim Pickering, Town Manager

Why Now?

Finanical Stability Preferences

Don't Know/ Need More Info, 30%

Property Tax, 25%

Sales Tax, 23%

Reduce Svcs, 12%

Act Later, 10%

• Survey says… FH Residents were 2.2 times more likely to prefer having Town raise taxes now to offset shortfall than to cut services or postpone raising taxes at at future date.

• Complacent communities with washed-out strip malls and dwindling services drive people away. Crime and blight might creep in, and the identity cities worked so hard to achieve erodes…AZ Republic.
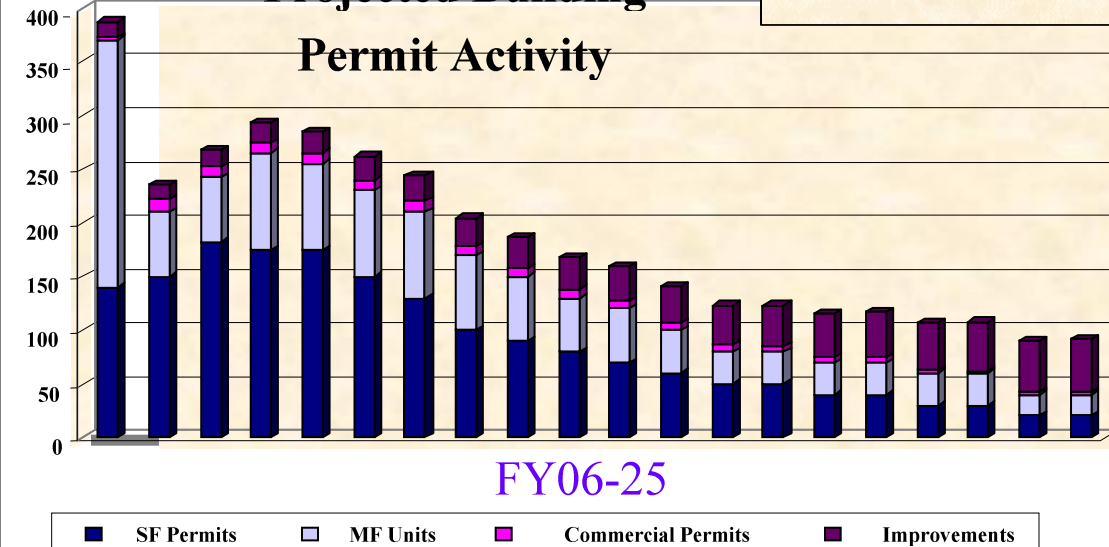
• Financial troubles of the past.

Construction Revenue and Activity

• Approx. 70 % of our lots have homes on them already.

PROJECTED CONSTRUCTION SALES TAX REVENUES
(in millions)

FY06-25
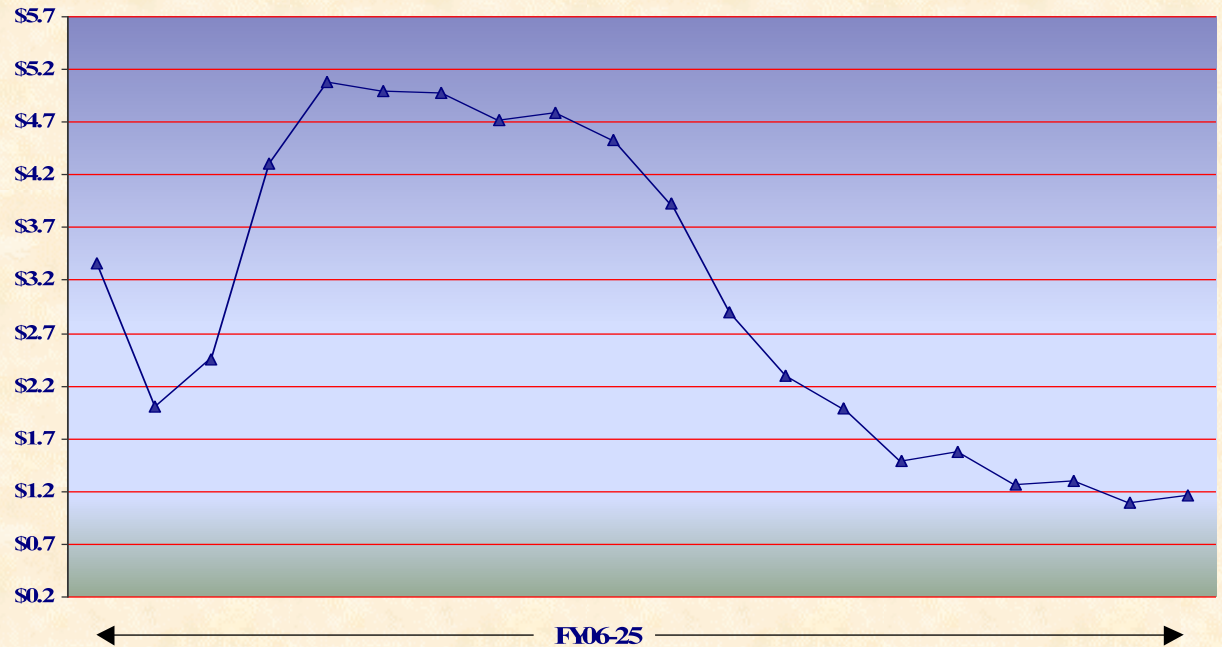
## Projected Building Permit Activity

FY06-25

| ■ SF Permits | □ MF Units | ■ Commercial Permits | ■ Improvements |

• >30% of FY 06-12 general fund revenue from construction activity.

• In FY 19-25 <10%.

Financing The Future Neighborhood Coffee

Sales Tax Received from Commodities

Item	Cost	Sales Tax Received
Home Construction	$650K	$11,000
Used Motor Home	$45K	$1,000
Used Car	$20K	$520
Diamond Ring	$10K	$260
Major Appliances	Not Available	Not Available

FY2025 GENERAL FUND OPERATING & CAPITAL PROJECTION
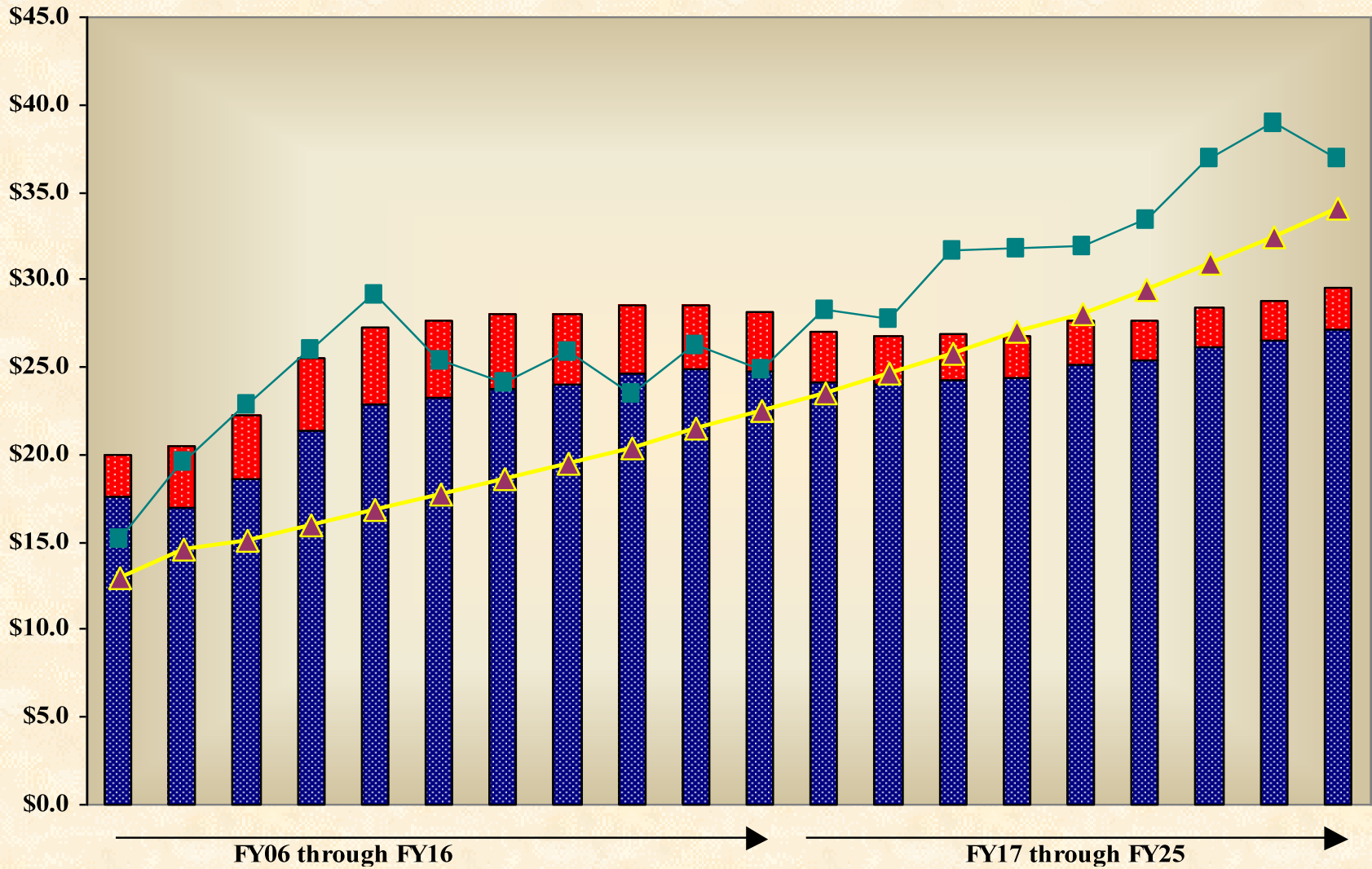
Financing The Future Neighborhood Coffee

FIRST DECADE OPERATING & CAPITAL

FY06 through FY16

Total GF Revenue

Total Capital Revenue

Total GF Operating Expenditures

Operating, Must Do & Should Do Capital

Financing The Future Neighborhood Coffee
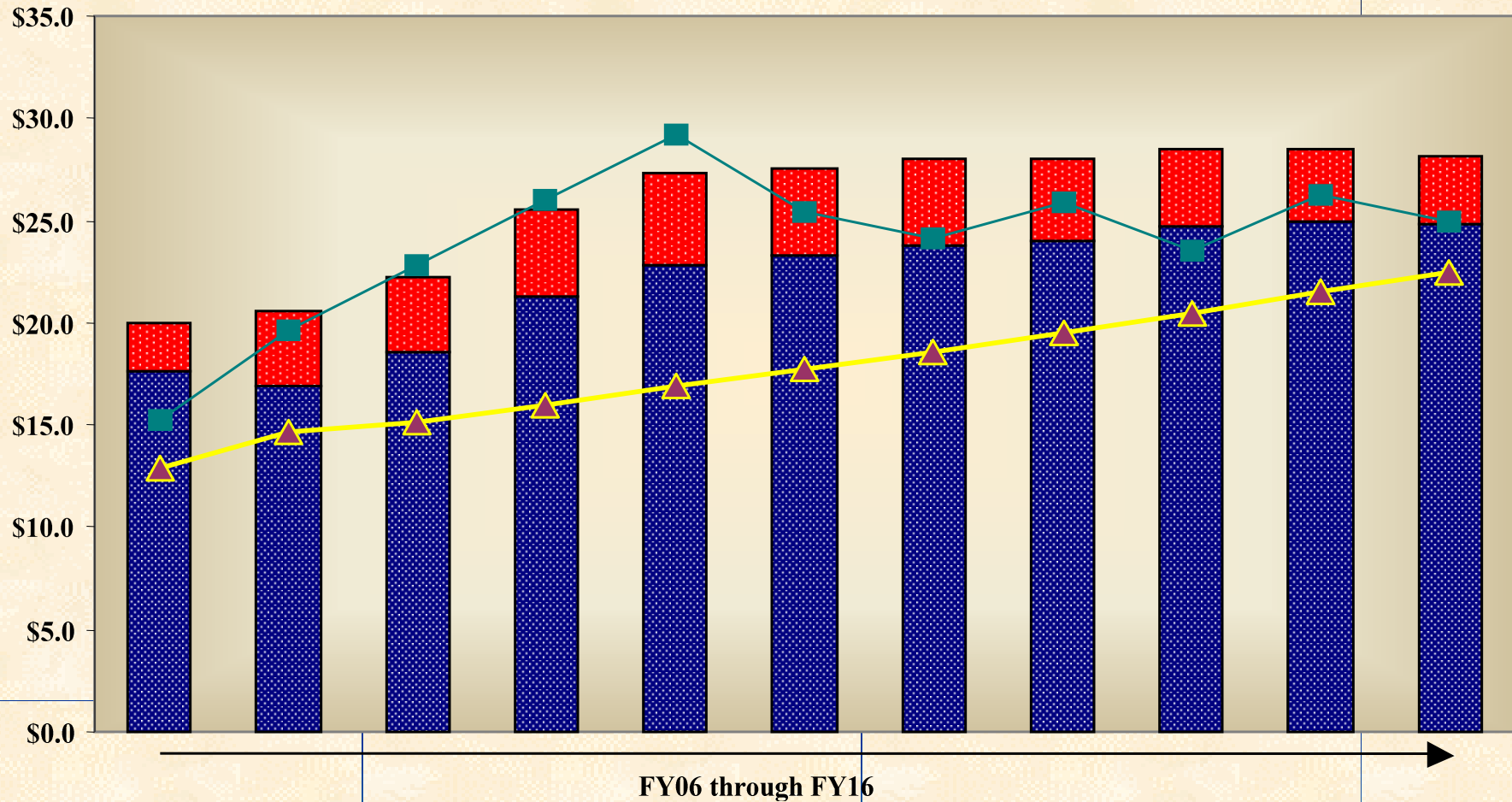
SECOND DECADE OPERATING & CAPITAL
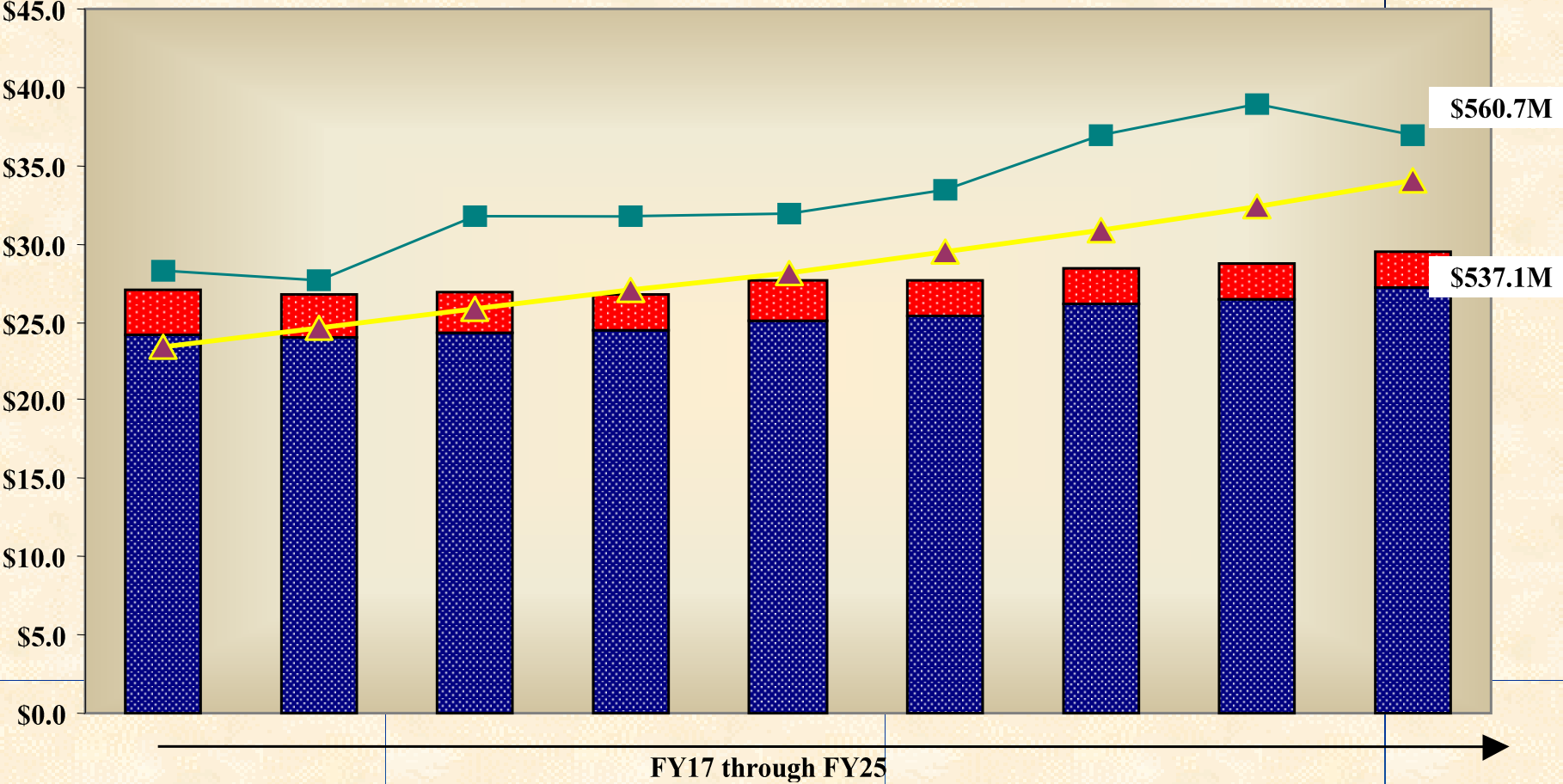
$560.7M

$537.1M

FY17 through FY25

Total GF Revenue
Total Capital Revenue
Total GF Operating Expenditures
Operating, Must Do & Should Do Capital

Financing The Future Neighborhood Coffee

Financing Our Future OPTIONS

A. Cut Costs and Reduce Service

B. Do Nothing, Delay Capital Spending & Save Our Money

C. Hope for Economic Development

D. Increase the Sales Tax

E. Have Citizens Vote to Enact a Primary Property Tax

F. Have Citizens Vote to Enact a Utility Tax

Financing The Future Neighborhood Coffee

A. Cut Costs and Reduce Service

Comparison of General Fund Operating Cost Per 1,000 Citizens

City	Cost
Tempe	$0.9
Surprise	$1.3
Scottsdale	$1.2
Queen Creek	$1.8
Mesa	$0.8
Goodyear	$1.0
Gilbert	$0.6
Casa Grande	$0.8
Paradise Valley	$1.2
Fountain Hills	$0.6

B. Do nothing, Delay Capital Spending & Save Our Money
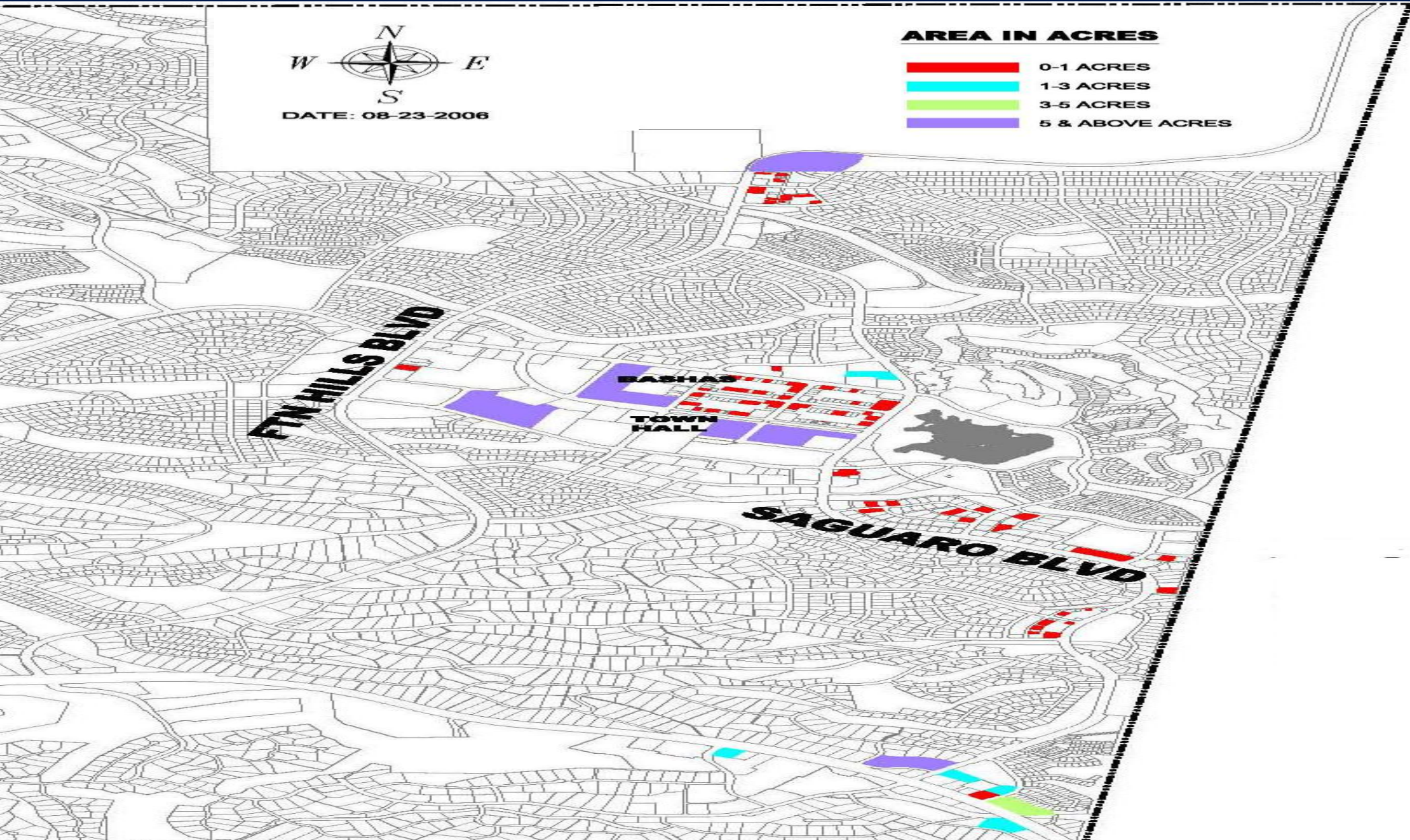
PROS

- Requires little action

CONS

- Savings will run out in 2027– not a long term solution
- Streets not maintained
- Trail heads not built
- Wash crossings not improved
- Amenities at Town parks not installed
- Left with same problem and more capital investment needed

AREA IN ACRES

- 0-1 ACRES
- 1-3 ACRES
- 3-5 ACRES
- 5 & ABOVE ACRES

N W E S

DATE: 08-23-2006

FTN HILLS BLVD

BASHAS

TOWN HALL

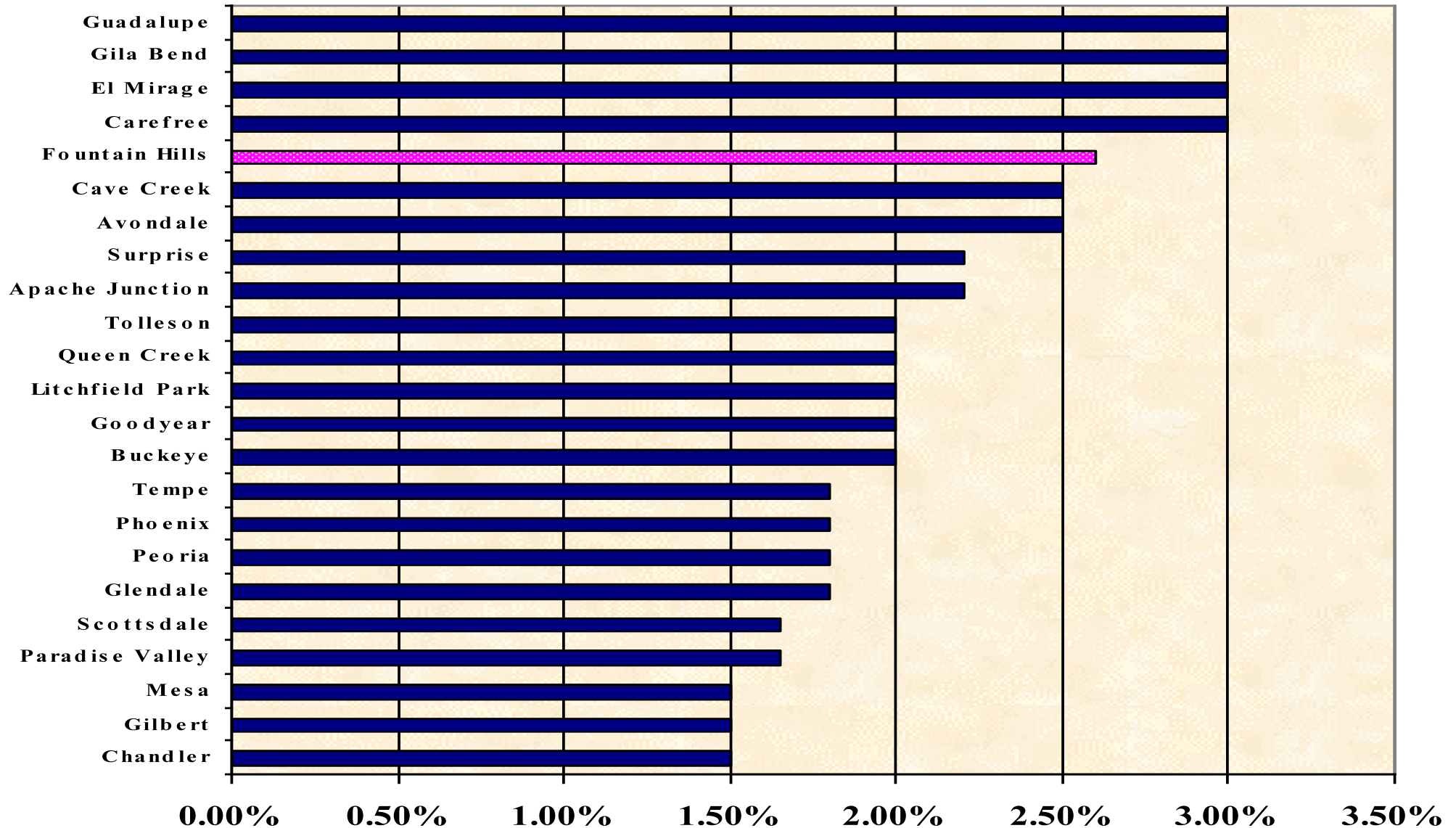SAGUARO BLVD

C. Hope for Economic Development

PROS
- Visitors also pay the sales tax
- No vote is needed

CONS
- Limited opportunities – 75% already developed. Only 5 lots left – and may not be developed for retail
- Uncertain solution – Recent development efforts have failed
- More dependency on sales tax
- May not be enough - Potential 14 acre downtown development = 90 square feet retail @ estimated $3/square foot sales tax revenue = $270K per year
- May affect views, traffic and small town feel

D. Increase the Sales Tax

2006 Sales Tax Rates – Maricopa County Cities/Towns

| City/Town	Rate
Guadalupe	3.00%
Gila Bend	3.00%
El Mirage	3.00%
Carefree	3.00%
Fountain Hills	2.60%
Cave Creek	2.50%
Avondale	2.50%
Surprise	2.20%
Apache Junction	2.20%
Tolleson	2.00%
Queen Creek	2.00%
Litchfield Park	2.00%
Goodyear	2.00%
Buckeye	2.00%
Tempe	1.80%
Phoenix	1.80%
Peoria	1.80%
Glendale	1.80%
Scottsdale	1.65%
Paradise Valley	1.65%
Mesa	1.50%
Gilbert	1.50%
Chandler	1.50%

D. Increase the Sales Tax

PROS

- Taxes visitors to the Town
- Easy to collect as the Town already has a process
- Paid by part-time residents

CONS

- Already one of the highest in the County
- Over 60% of General Fund Revenue from sales tax
- Could send shoppers out of Town
- Not enough retail in Town to have a large impact
- Discourages new retail businesses
- Unreliable revenue - economy driven
- Assumes residents spend locally

E. Have Citizens Vote to enact a Primary Property Tax
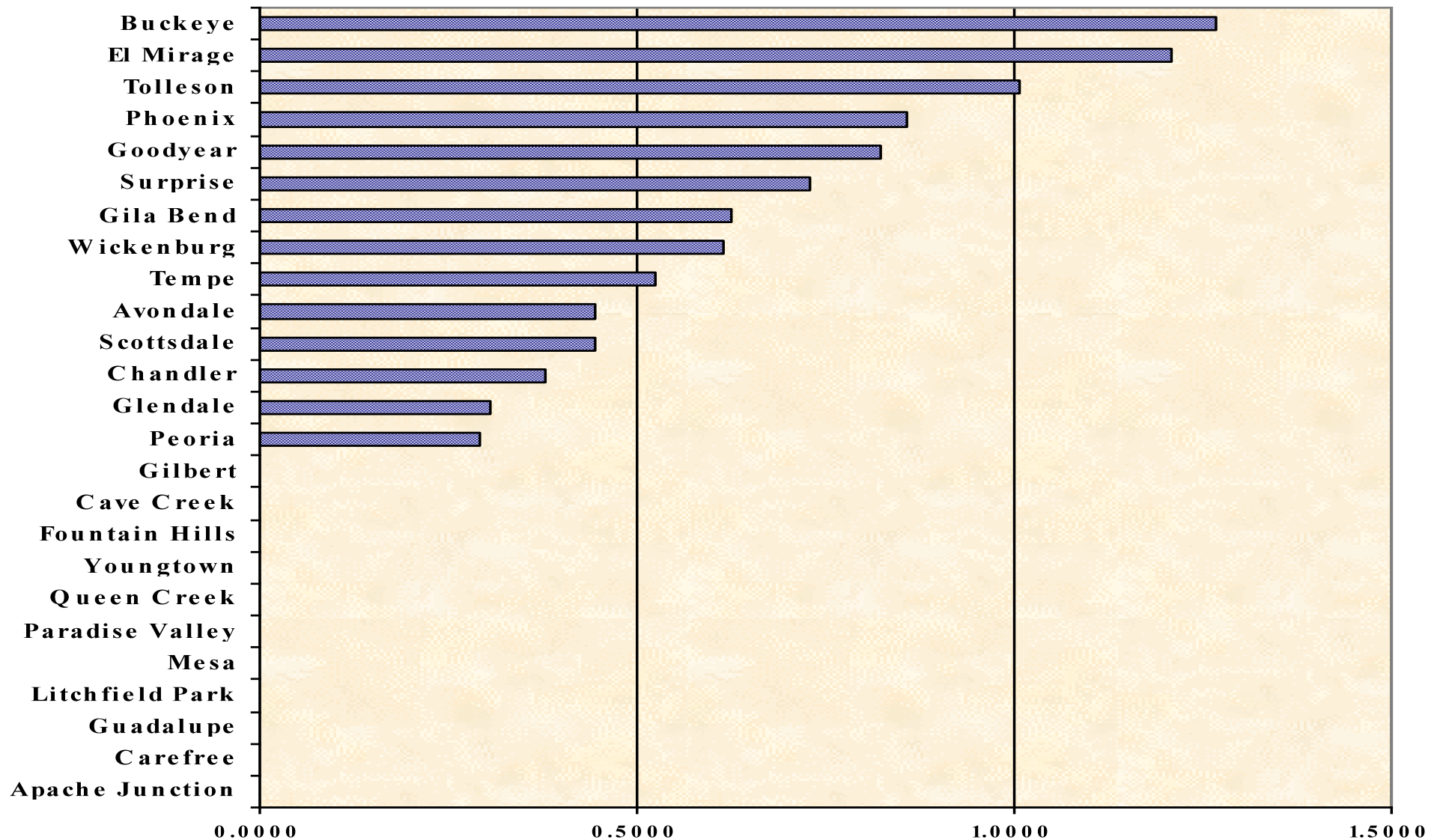
Municipal Property Tax Rates per hundred dollars assessed valuation (2005) - Maricopa County

E. Have Citizens Vote to enact a Primary Property Tax

PROS

- Stable
- Established maximum (2% per year)
- Tax deductible
- Part-time residents pay their share too
- Most predictable revenue source
- Based on assessed property values

CONS

- Permanent tax
- Could affect local real estate market
- Can be raised annually
- Unfair to part-time residents

F. Have Citizens Vote to Enact a Utility Tax

City/Town	Utilities Taxed	Tax Rate	Allows Sales Tax Offset? Y/N
Payson	Cable, Gas, Electric	3% and 2%	No
Chandler-Franchise	Cable, Gas, Electric	2% to 5%	No
Gilbert	Cable, Gas, Electric		No
Apache Junction	None	None	N/A
Carefree	Cable, Gas	5%	No
Goodyear	Gas, Electric, Water	5%	No
Bullhead City	Cable, Gas, Electric, Water	5% and 2%	Yes
Fountain Hills	Cable	5%	Yes
Scottsdale	Electric	5%	No
Paradise Valley	Cable, Gas	2% + property tax equivalent	Yes
Peoria	None	None	N/A
Pinetop Lakeside	Cable, Gas	2% gross	No
Prescott Valley	Cable, Gas, Electric	2.33%	No
Winslow	Cable, Gas, Electric	2%	No
Tucson	Telephone	3.5%, 2%	No
Nogales	Telephone	2%	No

F. Have Citizens Vote to Enact Utility Tax

PROS

- Fair and equitable as most people use utility services
- Collected by utility companies
- Low financial impact – small payments throughout the year

CONS

- Absentee residents will not pay their share
- Fixed income residents negatively affected
- Passed on to us the customers
- Full-time residents pay more
- Town does not control collection

Tax Options Table

Options	Current Rate	If collected beginning 2007	Monthly Impact per household in 2007	If collection began in 2017	Monthly Impact per household in 2017	2007 Examples of how to calculate your bill
Utility Tax	0.0%	7.5%	$7.35	12%	$15.50	monthly bill of $98 x 7.5% = $7.35
Sales Tax Rate	2.6%	2.9%	$7.91	3.2%	$15.91	mo. retail spending = $1,025 x .003 (increased sales tax amount) = $3.08
Primary Property Tax Rate	$0.0	$0.25	$7.16	$0.51	$14.58	$350,000 /1,000 x $0.25/12 = $7.29/mo
Blended Utility & Property Tax	$0.0 $0.0	5% $0.08	$4.90 $2.25	5% $0.29	$5.81 $8.57	$98 per month utility bill x 5% = $4.90 $350,000 /1,000 x $0.08 / 12= $2.33/mo

Financing The Future OPTIONS

A. Cut Costs and Reduce Service

B. Do Nothing, Delay Capital Spending & Save Our Money

C. Hope for Economic Development

D. Increase the Sales Tax

E. Have Citizens Vote to Enact a Primary Property Tax

F. Have Citizens Vote to Enact a Utility Tax

G. Blended Option of Utility and Property tax

Renting vs. Owning Town Hall

Renting

- $670,000 annually
- $401,520 for lease;
- $100,000 in taxes;
- $169,000 in landscaping/utilities
- 42,000 square feet

Owning

- 8,500 square feet less;
- $285,000 bond payment annually not from general fund;
- No grass to maintain;
- Save $125,000 on electricity alone
- Save $34M over 34 years